

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1248H.08C  
 Bill No.: HCS for SCS for SB 163  
 Subject: Taxation and Revenue - Income; Taxation and Revenue - General; Tax Incentives;  
 National Guard  
 Type: Original  
 Date: May 5, 2025

Bill Summary: This proposal modifies provisions relating to taxation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2038)
General Revenue	More or less than (\$313,426,658)	More or less than (\$212,285,322)	More or less than (\$210,177,867)	More or less than (\$1,704,972,092)
<b>Total Estimated Net Effect on General Revenue</b>	<b>More or less than (\$313,426,658)</b>	<b>More or less than (\$212,285,322)</b>	<b>More or less than (\$210,177,867)</b>	<b>More or less than (\$1,704,972,092)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2038)
Blind Pension Fund (0621)	\$0	(\$345,741)	(\$345,741)	Could exceed (\$345,741)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>(\$345,741)</b>	<b>(\$345,741)</b>	<b>Could exceed (\$345,741)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>Fully Implemented (FY 2038)</b>
<b>Total Estimated Net Effect on All Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>Fully Implemented (FY 2038)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>Fully Implemented (FY 2038)</b>
<b>Local Government*</b>	<b>Unknown</b>	<b>More or less than (\$78,861,895)</b>	<b>More or less than (\$78,861,895)</b>	<b>More or less than (\$78,861,895)</b>

\*Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue resulting from this proposal.

## FISCAL ANALYSIS

### ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from the **Office of Administration - Budget and Planning (BAP)** and **Department of Revenue (DOR)** did not respond to Oversight's request for fiscal impact for this proposal.

**Oversight** notes that it does not currently have access to state tax data to produce a thorough independent revenue estimate and is strictly reliant on DOR and BAP for income tax changes analyses.

### Sections 135.010 & 135.030 Senior Property Tax (Circuit Breaker)

In response to a previous version, officials from the **Department of Revenue (DOR)** note

#### Background of Current PTC Program

This proposal attempts to make modifications to the Senior Property tax credit (PTC). The PTC provides two tax credits, one to homeowners and one to renters that pay property tax. In order to qualify for the PTC program there are income eligibility requirements, and a person must:

- Be over the age of 65,
- Or 100% disabled,
- Or a 100% disabled veteran,
- Or at least 60 and the qualifying widow of someone in the previous categories.

For homeowners, the PTC provides a credit to offset the amount of actual property tax paid by the homeowner. The credit is up to \$1,100 in property tax actually paid but the credit amount phases out as an individual's income rises. The homeowner's credit is for those with incomes of less than \$30,000. It should be noted, there is no limit on the number of individuals who can receive the credit annually.

The PTC also currently provides a credit to offset the amount of property tax included in a taxpayer's rent payment. The tax credit for renters is up to \$750 in property tax paid and to qualify a renter must have an income less than \$27,500. The amount of the credit does phase out as income rises and there is no limit on the number of renters who can receive the credit annually.

This proposal says that all modifications of the property tax credit will begin on January 1, 2026. DOR notes that the majority of the PTC tax returns are received in DOR's office between January and April of each year. The DOR assumes that the changes made by this proposal would fully impact FY 2026.

DOR will use the 2023 tax year data (the most current available) to run the calculations of the current property tax credit filers and potential other taxpayers that may be eligible in the future under the changes in this proposal.

### Homeownership Rates

In order to run calculations, DOR first had to determine how many taxpayers file as a homeowner or a renter. DOR used the internal individual income tax system to pull the current PTC claimants and determine the percentage of homeowners and renters. While DOR recognizes that as incomes increase there could be more homeowners at the higher rate, for the simplicity of the fiscal note DOR will hold the rates steady.

### PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	62.7%	37.3%
Widow(er)	68.9%	31.1%
Disabled	23.5%	76.5%

### Proposed Changes

This proposal would increase the income allowance for PTC married renters from \$2,000 to \$5,000 and for homeowners from \$4,000 to \$5,000 starting in FY 2026. This proposal would also increase the maximum income allowance for renters from \$27,500 to \$32,500 and for homeowners from \$30,000 to \$40,000 starting in FY 2026.

**DOR** notes this proposal changes the tax credit phase-out calculation in Section 135.030.2. That calculation phases out the amount of the credit as a person's income rises. Therefore, people with the lowest income of \$14,000 receive the full amount of the credit while those with the maximum income receive \$0 credit. Currently people with an income of \$30,000 (current limit) receive a credit worth \$0. This proposal changes it from \$300 to \$495 increments starting in 2026.

This proposal also changes the reduction of the cap part of the formula. Currently the credit is reduced by 1/16 for every \$300 increase in income with a maximum reduction of 4%. Under current law the maximum reduction cap is not met under the current maximum income limits. This proposal sets the reduction percentage at 2% which will impact the renters and homeowners. After 32 reductions in the credit the credit amount will remain constant.

Current Claims- Slower Credit Phase-Out

Currently the formula fully phases out for renters with incomes over \$27,500 and homeowners with income over \$30,000. Under this proposal, the people paying the maximum rent would get a \$140 minimum credit if they rent. This proposal will change the phase out formula (\$495 increments) and therefore some of those that already qualify for the credit may move up the formula chart and receive a slightly larger credit amount than they currently do. This is expected to be minimal.

New Claims- Higher Income Limits

Since this proposal will increase the maximum income limits allowed to participate in this program, additional taxpayers may qualify. Using the internal tax year data, DOR was able to pull the taxpayers within these new income parameters and run them through the revised phase out formula to determine how much credit they may receive.

Renters:

DOR tax data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of \$27,500 to \$32,500.

97	Qualified Widows
28,626	Age 65 & Older
<u>2,669</u>	Disabled
31,392	Total Income Qualifiers

Using the renter/homeowner split mentioned above, this would result in potential new renters:

31	Qualified Widows
11,543	Age 65 & Older
<u>2,065</u>	Disabled
13,639	New Renters Qualifying

**DOR** notes that the minimum PTC credit for these renters would be approximately \$177. Therefore, DOR assumes that the maximum income increase for renters would reduce general revenue by \$2,419,063 (13,639 \* \$177) in FY 2026.

Homeowners:

DOR data indicates that the following taxpayers had a Missouri Adjusted Gross Income (MAGI) of \$30,000 to \$40,000.

206	Qualified Widows
50,829	Age 65 & Older
<u>4,713</u>	Disabled
55,748	Total Income Qualifiers

Using the renter/homeowner split mentioned above, this would result in potential new homeowners:

139	Qualified Widows
30,333	Age 65 & Older
<u>1,067</u>	Disabled
31,539	New Homeowners Qualifying

**DOR** notes that the minimum PTC credit for these homeowners would be approximately \$490. Therefore, DOR assumes that the maximum income increase for renters would reduce general revenue by \$15,454,110 ( $31,539 * \$490$ ) in FY 2026.

### Summary

The impact of the changes in this proposal will result in a loss to general revenue of \$17,874,427 ( $\$15,454,110 + \$2,419,063 + 1,254$  slower phase-out).

This proposal will require DOR to make annual changes to its MO-PTC form (\$2,200), website and individual income tax computer system (\$1,832). Those costs are estimated at \$4,032 per year.

In response to a previous version, officials from the **Office of Administration – Budget & Planning (B&P)** note:

**Section 135.010** would increase the income allowance for PTC claimants by \$3,000 married (filing combined) renters and \$1,000 for married (filing combined) homeowners starting with calendar year 2025. B&P notes that because this provision is effective for calendar year 2026, it will begin affecting state revenues in FY26 as annual PTC claims are filed beginning in January. B&P further notes that the peak PTC claims are January through April each year.

**Section 135.030** would increase the maximum upper income allowed to claim the PTC. The maximum income limit for renters shall be increased from \$27,500 (current law) to \$32,500, while the maximum income limit for homeowners shall be increased from \$30,000 (current law) to \$40,000.

**Section 135.030** would increase the phase-out income increments from \$300 (current law) to \$495 beginning with calendar year 2026.

**Section 135.030** caps the reduction in the tax credit to 2%. B&P notes that under current law, the tax credit is reduced by (1/16)% for each \$300 increase in a taxpayer's income, with a maximum reduction of 4.0%. This proposal would change the reduction calculation to (1/16%) for every \$495 increase in a taxpayer's income, with a maximum reduction of 2.0%. Under current law, the reduction cap is never met with the existing income limits; however, the 2%

reduction limit would be binding for both renters and homeowners. Therefore, after 32 reductions the minimum tax credit, based on property tax paid, will remain a constant amount.

#### Current Claims - Slower Credit Phase-Out

##### *Renter*

Under current law the PTC for renters is fully phased out by \$27,500 income. Under this proposal the minimum credit, for people paying the maximum rent, would be \$140 for taxpayers with incomes over \$29,645. Therefore, the slower phase-out may have a minimal negative impact on GR as some existing claimants may move up the credit table. For example: Taxpayer A has income of \$14,700 and pays the maximum amount of rent. Under current law, they would receive a PTC credit of \$719. However, with the slower phase-out they would receive a credit of \$728.

##### *Homeowner*

Under current law the PTC for owners is fully phased out by \$30,000 income. Under this proposal the minimum credit, for people paying the maximum property tax, would be \$490 for taxpayers with incomes over \$29,645. Therefore, the slower phase-out may have a minimal negative impact on GR as some existing claimants may move up the credit table.

#### New Claims – Higher Income Limits

##### *Homeownership Rates*

Using tax year 2022 PTC claims, the most recent year available, B&P determined the percentage of claimants that were homeowners versus renters. Table 1 shows the percentage for each major filing type.

Table 1: PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	59.7%	40.3%
Widow(er)	67.5%	32.5%
Disabled	22.6%	77.4%

For the purpose of this fiscal note, B&P will assume the potential newly qualified (under the higher maximum income limits) individuals will follow the same owner/renter pattern. However, it is likely that as the income limit increases, the homeownership rate would also increase.

##### *Renter*

In tax year 2022, the most recent complete year available, there were 97 individuals who filed as qualifying widow/widower, 28,626 individuals who claimed they were 65 years or older, and 2,669 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between \$27,500 and \$32,500.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 31 of the widow(er), 11,543 age 65 and older, and 2,065 disabled could potentially be renters. Therefore, B&P estimates that 13,639 additional people could qualify for the renter PTC in calendar year 2026.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the minimum PTC credit for these individuals may be \$177. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by \$2,419,063 in FY26.

#### *Homeowner*

In tax year 2022, the most recent complete year available, there were 206 individuals who filed as qualifying widow/widower, 50,829 individuals who claimed they were 65 years or older, and 4,713 individuals who claimed they were disabled on their individual income tax forms and had a Missouri Adjusted Gross Income (MAGI) between \$30,000 and \$40,000.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 139 of the widow(er), 30,333 age 65 and older, and 1,067 disabled could potentially be homeowners. Therefore, B&P estimates that 31,539 additional people could qualify for the homeowner PTC in calendar year 2026.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the minimum PTC credit for these individuals may be \$490. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by \$15,454,110 in FY26.

#### PTC Summary

B&P estimates that this proposal could reduce GR by \$17,874,427 (\$17,873,173 income limit + \$1,254 slower phase-out) annually, beginning FY26.

**Oversight** will note the cost could be more or less than estimates provided by B&P and DOR each year thereafter depending on increase or decrease in homeowners and renters applying for the tax credit, or home versus rent pattern behaviors in the markets. Therefore, Oversight will reflect the estimated impact of \$17,874,427 in the fiscal note beginning FY 2026.

#### **Section 137.067 - Tax Levies by Political Subdivisions**

In response to a similar proposal, HB 119 (2025), officials from the **Office of Administration - Budget and Planning (B&P)** defer to the local governments for the fiscal impact. This proposal:

- Has no direct impact on B&P.
- Has no direct impact on general or total state revenues.
- Will not impact the calculation pursuant to Art. X, Sec. 18(e).

In response to a similar proposal, HB 119 (2025), officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

In response to a similar proposal, HB 119 (2025), officials from the **State Tax Commission, Jackson County Election Board, St. Louis City Board of Elections, St. Louis County Board of Elections, Office of the State Auditor,** and the **Platte County Board of Elections** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** does not anticipate a fiscal impact from this provision. However, Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this provision. Oversight has presented this fiscal note on the best information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

**Oversight** only reflects the responses received from state agencies and political subdivisions; other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

### **Section 137.073 - New Construction and Personal Property**

**Oversight** notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth.

**Oversight** notes omitting the increase in value from motor vehicles from new construction in the rate setting calculation would result in a higher adjusted assessed value (the denominator) relative to the authorized revenues (the numerator) in the rate setting calculation. This would reduce the tax rate applied to total assessed values thereby reducing revenues for all tax entities.

**Oversight** notes this proposal could reduce allowable revenue growth for local taxing entities over time.

**Oversight** notes the proposal sets tax year 2026 as the base year for this provision. Therefore, Oversight will show an unknown loss in property tax revenue to local political subdivisions from this change beginning in FY 2028.

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property  $((\text{Total Assessed Value}/100)*.03)$ . Because this proposal alters only components of the rate setting calculation, it does not limit the assessed value portion of this equation, therefore the Blind Pension Fund will not be impacted by this proposal.

In response to a similar proposal (HB 2430, 2024), officials from the **Howell County Assessor** note currently no software in use for assessment purposes has the ability to segregate market value increases of vehicles from new vehicles added to the assessment roll.

In response to a similar proposal (HB 2430, 2024), officials from the **Lincoln County Assessor** note by not allowing the personal property increases as new construction - school districts in particular will not receive the tax increase windfalls they have received in the past - therefore being more fair to the taxpayers.

### **Section 137.073 - Inflationary Growth Factor**

In response to a similar proposal, HCS for HB 517 (2025), officials from the **Callaway County SB 40 Board** assumed the proposal's cap on inflationary growth for property tax revenue at 3% starting in 2026 may threaten critical funding for individuals with intellectual and developmental disabilities (IDD). Callaway County Special Services (CCSS), a Senate Bill 40 organization, relies on these funds to provide employment opportunities, inclusive community programs, and essential resources for over 201 individuals and their families.

With restricted revenue growth, CCSS may struggle to maintain or expand services, impacting job opportunities, delaying new initiatives, and straining family resources. These programs not only support individuals with IDD but also strengthen the community by fostering inclusion and equity.

The broader impact of the proposal must be considered before limiting funding mechanisms. If property tax reductions or caps remain without a sustainable replacement, CCSS and similar organizations may face service cuts, affecting the well-being of individuals with IDD and their families. Ensuring stable funding is essential to preserving lifelong support, employment, and community inclusion.

In response to a similar proposal, HB 517 (2025), officials from the **Mid-Continent Public Library** assume there is not enough data to provide the revenue loss potential by this bill.

In response to a similar proposal, HCS for HB 517 (2025), officials from the **Hume R-Viii School District** assume there would be a fiscal impact on the district if taxes change. However, that amount is not known.

In response to a similar proposal, HCS for HB 517 (2025), officials from the **East Buchanan Co. C-1 School District** assume school districts are dependent on growth in assessed valuation over time to account for rising costs due to inflation. This increase is also vital for schools utilizing lease-purchase financing to continue to meet their debt obligations. Districts are already limited to a maximum increase of 5%. If CPI is in excess of 5%, districts will have increased expenses due to inflationary conditions. Reducing the percentage from 5 to 3 will limit a

district's ability to meet the demands of rising costs and will limit districts' ability to increase staff compensation to keep them up with inflation.

In response to a similar proposal, HCS for HB 517 (2025), officials from the **Newton County Health Department, Phelps County Sheriff, Kansas City Police Dept., Department of Social Services, Office of the State Auditor, Branson Police Dept, St. Louis County Police Dept** and the **State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth.

**Oversight** notes the growth factor currently used in the tax levy calculation is either actual growth in assessed valuation, inflation based on CPI ([3.4% per the STC](#)) or 5% whichever is lower.

**Oversight** notes beginning January 1, 2026, in years where actual growth and inflation exceed 3%, this proposal would result in lower authorized revenues in the rate setting calculation. This would reduce the tax rate applied to total assessed values relative to current law, thereby potentially reducing revenues for all tax entities.

Therefore, **Oversight** will show a range of \$0 (inflation or actual growth is less than 3% and the changes in the bill would not create an impact) to an unknown loss in property tax revenue to local political subdivisions beginning in FY 2027.

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)\*.03). Because this proposal alters only components of the rate setting calculation, it does not limit the assessed value portion of this equation, therefore the Blind Pension Fund will not be impacted by this proposal.

### **Section 137.115 - Personal Property Assessment**

Officials from the **Department of Social Services (DSS)** assume Tangible personal property that is not livestock; farm machinery; pollution control tools and equipment; grain and other agricultural crops; poultry; and historic motor vehicles, historic aircraft, and aircraft built from kits is currently assessed at 33 1/3 percent of true value. According to the [2024 State Tax Commission Annual Report](#), the total assessed valuation of tangible personal property that is not livestock; farm machinery; pollution control tools and equipment; grain and other agricultural crops; poultry; and historic motor vehicles, historic aircraft, and aircraft built from kits is \$28,332,407,102. Therefore, the true value of these types of personal property assessed is \$85,005,721,878 (\$28,332,407,102/.3333).

The proposed reduction in assessments of tangible personal property that is not livestock; farm machinery; pollution control tools and equipment; grain and other agricultural crops; poultry; and historic motor vehicles, historic aircraft, and aircraft built from kits will affect the BP fund as follows:

Tax Collection Year	True Value of Tangible Personal Property*	Assessment Rate, as amended per year	Assessed Value of Tangible Personal Property*	BP Fund Collections Tangible Personal Property Tax*	Reduction in Collections for the BP Fund
2026	\$85,005,721,878	33 1/3%	\$28,332,407,102	\$8,499,102	\$0
2027	\$85,005,721,878	32%	\$27,201,831,001	\$8,160,549	\$339,173

\*Not Livestock, Farm Machinery, Poultry, and Pollution Control Tools and Equipment

Therefore, FSD estimates that the fiscal impact to the BP fund as a result of this legislation would be \$339,173 in FY 2027 and ongoing.

Officials from the **County Employees' Retirement Fund (CERF)** assumed this proposal would have a negative fiscal impact to CERF. A certain portion of the moneys that are used to fund CERF are tied to the collection of property taxes. By reducing the assessment percentage of personal property from 33.3% to 32%, HCS/SCS/SB 163 would reduce the moneys that fund CERF. CERF notes that the amount of these revenues fluctuates from year to year. CERF notes that there is insufficient information to quantify the exact impact but CERF assumes that the impact would be negative. CERF would expect the changes in HCS/SCS/SB 163 to result in a deterioration of CERF's funding over time. Unless the funding is replaced with other sources, it likely has serious implications for CERF's sustainability including the possibility that the plan assets might be depleted.

**Oversight** assumes this provision reduces the percentage at which personal property is assessed, effectively reducing the assessed value over time.

Property Type	Current	Proposed
Personal Property	33.3%	32%

**Oversight** estimated the difference between the proposed assessed values and the 2024 assessed values in the table below according to the [State Tax Commission](#).

Property Type	Assessed Value Current	Full Value	Assessed Value Proposed	Difference in Assessed Value
Personal Property (Vehicles)	\$20,346,815,488	\$61,101,548,012	\$19,552,495,364	(\$794,320,124)

Personal Property (Other)	\$7,881,474,797	\$23,668,092,483	\$7,573,789,595	(\$307,685,202)
Personal Property (Centrally Assessed)	\$1,292,714,196	\$3,882,024,613	\$1,242,247,876	(\$50,466,320)
<b>Total</b>	<b>\$30,262,390,641</b>	<b>\$88,651,665,108</b>	<b>\$28,368,532,835</b>	<b>(\$1,152,471,646)</b>

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property  $((\text{Total Assessed Value}/100) \times .03)$ . Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law. Oversight estimated the impact to the Blind Pension Fund in the table below.

Property Type	Difference in Assessed Value	Blind Pension Fund Impact (difference in assessed value /100 * .03)
Personal Property (Vehicles)	(\$794,320,124)	(\$238,296)
Personal Property (Other)	(\$307,685,202)	(\$92,306)
Personal Property (Centrally Assessed)	(\$50,466,320)	(\$15,140)
<b>Total</b>	<b>(\$1,152,471,646)</b>	<b>(\$345,741)</b>

**Oversight** calculated an effective local property tax rate of approximately 6.6%. Oversight used the effective local property tax rate to estimate the reduction of local property tax collections under this proposal.

Property Type	Property Tax Paid*	Assessed Value	Effective Local Tax Rate
Personal Property (Vehicles)	\$1,351,348,105	\$20,346,815,488	6.64%
Personal Property (Other)	\$582,873,141	\$7,881,474,797	7.40%

\* Excluding the Blind Pension Fund revenue. Per STC 2024 Tax Burden [Report](#)

Property Type	Difference in Assessed Value	Local Impact (difference in assessed value x 6.6%)
Personal Property (Vehicles)	(\$794,320,124)	(\$52,755,331)
Personal Property (Other)	(\$307,685,202)	(\$22,754,807)
Personal Property (Centrally Assessed)	(\$50,466,320)	(\$3,351,756)
<b>Total</b>	<b>(\$1,152,471,646)</b>	<b>(\$78,861,895)</b>

**Oversight** notes property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Property tax rates will be impacted by this proposal.

**Oversight** notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

**Oversight** notes officials from B&P and DSS both assume the proposal will have a direct fiscal impact on the Blind Pension Fund and local revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect B&P’s estimated impacts in the fiscal note.

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it will have a negative fiscal impact on school districts and other local taxing jurisdictions (cities, counties and fire districts) who rely on property tax as a source of revenue. Based on the State Tax Commission 2024 Annual Report, 19.2% of assessed valuation is attributed to personal property ( $\$151,673,672,937 \times .192 = \$29,121,345,204$  assessed valuation) and 18.55% of property taxes collected were attributed to personal property ( $\$10,427,068,714 \times .1855 = \$1,934,221,246$ ).

Dropping the assessed valuation percentage to 32% from 33.3% would drop the assessed valuation to  $27,984,475,872$  ( $29,121,345,204 / .333 \times .32$ ). The tax collections from the reduced valuation would equal  $1,858,711,107$  ( $[\$27,984,475,872 \times \$1,934,221,246] / \$29,121,345,204 = \$1,858,711,107$ ).

The resulting reduction in taxes statewide would be  $\$75,510,139$  ( $\$1,934,221,246 - \$1,858,711,107$ ) spread across all the taxing jurisdictions across the state reliant on property taxes for funding.

Officials from the **Adair County SB 40 DD Board** assume a reduction in funding from personal property and/or real property taxes would have significant consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Adair County SB40 Developmental Disability Board assess local needs and nurture a strong network of high-quality services that are essential to over 465 people with IDD and their families.

These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families. Beyond supporting individuals with IDD, these programs enrich lives and strengthen the overall fabric of the community, fostering a more equitable and inclusive society.

The broader implications for individuals, families, and the community must be carefully considered before any changes to the funding mechanisms are implemented. If reductions in personal property and/or real property taxes are pursued, it is imperative to establish a sustainable and equitable mechanism to replace this funding. Doing so will ensure that Senate Bill 40 organizations can continue fulfilling their critical mission of supporting individuals with IDD and their families, while preserving the broader community benefits these services provide.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Miller County Assessor** assume this bill would lower the amount of money local entities receive in Miller County in 2026 by an estimated \$290,000. These calculations are based off of a county wide personal property value of \$140,000,000 in 2026. This would severely limit the county's local schools, fire districts, police/sheriff's offices, road districts and 911 centers to provide quality services for the county's constituents.

Officials from the **Callaway County SB 40 Board** assume a reduction in funding from personal and/or real property taxes would have significant consequences for critical supports provided to individuals with intellectual and developmental disabilities (IDD). Senate Bill 40 organizations like Callaway County Special Services (CCSS) assess local needs and maintain a network of high-quality services essential to more than 201 individuals and their families.

These services, made possible through property tax funding, include employment opportunities, inclusive community programs, and vital family support resources. Beyond meeting immediate needs, they foster a stronger, more equitable community for everyone.

Recent legislative changes, such as those in HCS SB 163, impose new limits on local taxing authority. Lower personal property assessment rates, capped growth on assessed values, and restrictions on levy adjustments will likely shrink future tax bases and reduce the flexibility needed to recover lost revenue. While minor administrative adjustments are allowed, substantial reductions would introduce long-term financial instability that jeopardizes the availability and quality of direct services for the IDD community.

The broader impacts on individuals, families, and community well-being must be carefully considered before altering funding mechanisms. If reductions to personal and/or real property taxes are pursued, it is imperative to establish a sustainable and equitable replacement to protect the integrity of services. Ensuring stable, long-term funding will allow Senate Bill 40 organizations to continue empowering individuals with IDD, strengthening community inclusion, and preserving vital resources for families who depend on them.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Boone County SB 40 (Boone County Family Resources)** assume a reduction in funding from personal property and/or real property taxes would have significant negative consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Boone County Family Resources assess local needs and nurture a strong network of high-quality services essential to over 2,300 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Jackson County SB 40 Board** assume a reduction in funding from personal property and/or real property taxes would have significant consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Developmental Disability Services of Jackson County - assess local needs and nurture a strong network of high-quality services that are essential to over 3,000 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Lawrence County SB 40 Board** assume the Lawrence County Board for the Developmentally Disabled (SB40 Board), considered a political subdivision, utilizes a portion of the property taxes collected each year to provide services and opportunities for individuals with Intellectual Disabilities and Developmental Disabilities within Lawrence County.

The money is used for grants, funding (with other entities) of the local Sheltered Workshop, Transportation assistance through OATS transportation, a community center for this population, handicap accessible playground equipment in some city parks, etc. Any reduction in property taxes takes away funds that can help one of the most vulnerable populations, the intellectually and developmentally disabled.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **St. Louis City SB 40 Board** assume a reduction in funding from personal property and/or real property taxes would have significant consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as St. Louis Office for Developmental Disability

Resources assess local needs and nurture a strong network of high-quality services that are essential to over 1500 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **St. Louis County SB 40 Productive Living Board** assume a reduction in funding from personal property and/or real property taxes would have consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to supports for those who rely on them. Senate Bill 40 organizations such as Productive Living Board for St. Louis County Citizens with Developmental Disabilities assess local needs and nurture a strong network of high-quality services that are essential to over 4,600 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **St. Genevieve County SB 40 Board** assume this proposal would cause a direct impact on the individuals with special needs that the county helps support in Ste. Genevieve County.

If the tax rate of 33.33% would be reduced to 30% in 2026, it would create a loss of revenue of \$6,300.00 and so on for each subsequent year. This is detrimental to the board's budget and those the county serves especially if the State does not appropriate monies to fund DMH waivers. This past year that happened causing these service requests, that would be paid for with a waiver, to come to the local SB40 Board. This caused an additional \$100,000.00 in expenses to an already strained budget.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Webster County SB 40 Board** assume although, the SB 40 Board would not know the exact financial impact to SB 40 boards that support individuals with intellectual and developmental disabilities (IDD). SB 40 boards utilize personal and real property taxes to provide supports and services to 259 clients within Webster Co. Services provide allow individuals to live their best life. Services allow individuals to gain employment, life skills, and other needed services to reach their potential and not have a regression in skills and ability which could potentially necessitate the need for additional funding. SB 40 boards would need the reduction in taxes to be made up from other funds in order to continue to provide needed services for individuals with IDD

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Mid-Continent Public Library** assume there is insufficient data to provide an estimate of revenue loss to the District.

Officials from **Rolling Hills Consolidated Library** assume the fiscal impact of this bill for the library district is estimated to be approximately \$10,000 less in income if the personal property tax assessment rate is reduced from 33.33% to 32%. While this seems minimal, with other

current tax cut proposals in the legislature and a reduction in federal funds for libraries, it could have a significant impact on library operations.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Ladue School District** note the district is 94% locally funded (personal property, real property, commercial property, agricultural property). HB 629, as written, would reduce the district's personal property revenue by 10% (\$939,289). A reduction of this magnitude would require the district to make significant budget adjustment and re-evaluate existing programming.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Osage Co. R-I Ladue School District** assume the reduction of assessing personal property from 33 1/3% to 30% will be a decrease of 10% to the district's assessed valuation. A 10% reduction would be an estimated loss of \$93,800 to the school district. This would be the equivalent of two teachers.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Raymore-Peculiar R-II School District** indicate that all other things held constant, the fiscal impact to the Ray-Pec School District for HB 629 is a total of \$780,372 per year, at minimum.

In response to a similar proposal, Perfected HB 629 (2025), officials from the **Republic R-Iii School District** assume this bill would reduce local school revenue by at least \$2.7 million for the Republic School District. The only way to offset this type of sudden loss of revenue would be to propose a local tax increase or reduce teaching staff by 10%. Approximately 40 teachers for the district. It will be very difficult for us to keep pace with the requirements in SB 727 from last year, which focus on increasing teacher pay and staff retention.

### **Section 137.115 - Requirements For Trade-In Value Publications**

In response to a similar proposal this year (HB 816), officials from the **Jefferson County Assessor** note this bill will save county government budgets from having to purchase data from J.D. Power and Associates, which have increased their cost significantly since 2022. Jefferson County was quoted by J.D. Power and Associates \$60,700 for personal property vehicle valuation data. This is a 13% increase from 2024, and a 25% increase from the cost incurred in 2023 for the same data. Similar data from Price Digest has been quoted to Jefferson County at \$13,040 for 2025. This is a \$47,660 decrease from the J.D. Power quote. For Third-Class Counties, the savings from having another vendor provide the data would assist with the hiring of staff necessary to meet their statutory obligations.

**Oversight** notes this proposal allows assessors to use a nationally recognized automotive trade publication such as the NADA, Kelley Blue Book, Edmunds, or other similar publication.

**Oversight** assumes if every county experienced a savings from being able to use an alternative to automotive trade publication similar to the one referenced by the Jefferson County Assessor, the savings is estimated at \$5,480,900 (\$47,660 x 115). Oversight will reflect an unknown savings for county assessors beginning in FY 2026.

### **Section 143.011, 143.121 & 143.131 - Individual Income Tax Rate Reductions**

In response to a previous version, officials from the **Department of Revenue (DOR)** note this proposal implements immediate changes to the individual income tax rate in tax year 2025, some in tax year 2026 and will change how calculations will operate on the individual income tax returns.

#### *Tax Year 2025 IIT Changes*

This proposal repeals the MO Working Family Tax Credit in Section 143.177 effective August 28, 2025 (tax year 2025). DOR notes that the credit is claimed on the return starting January 1<sup>st</sup> after the tax year is completed. Given the timing of this proposal, DOR assumes that taxpayers will not have enough time to adjust their withholdings in FY 2025 to prepare for these changes and therefore DOR will show the full impact will occur in FY 2026.

The amendment starting January 1, 2025, would allow a taxpayer, both individuals and corporations, to subtract from their Federal adjusted gross income (FAGI) any amount reported as capital gains for determining their Missouri adjusted gross income (MAGI). DOR notes this proposal would become effective on August 28, 2025, in the middle of the 2025 tax year. DOR notes that these changes will begin January 1, 2025, however, they will not impact state revenue until the first tax returns are filed in January 2026 (FY 2026). DOR also notes this would limit the amount of time taxpayers have to adjust their withholdings for the tax year and could potentially increase the amount of refunds DOR issues.

All sources of income are reported on the federal return and only the total income amount (FAGI number) is reported on the Missouri return. DOR used its internal Income Tax Model that contains confidential Missouri taxpayer data for tax year 2022 (the most complete data available) and information from the Federal tax returns to calculate the fiscal impact of the EITC and individual capital gains for tax year 2025.

DOR notes the impact of the tax year 2025 changes would be a loss of revenue of \$61,587,897 for tax year 2025. Given the timing of these changes, DOR will show the impact as occurring in tax year 2026.

#### *Tax Year 2026 & Beyond - IIT Changes*

In addition to the elimination of the MO Working Family tax credit and the capital gains subtraction, this proposal would also increase starting January 1, 2026, the MO standard deduction. The new standard deduction will be the allowable federal deduction plus \$4,000 for filers.

Also, starting January 1, 2026, (tax year 2026) this proposal would eliminate the current individual income tax brackets with its graduated tax rates and replace it with a new flat 4.7% tax on all income over \$1,000 per Section 143.021. This new flat tax is being added as a new Section 143.011.3.

It should be noted that SB 3 adopted in 2022, set the current individual income tax rate top bracket at 4.95% in TY 2023 (per 143.011.2) and set it at 4.8% in TY 2024 (per 143.011.3) and based on certain revenue triggers allows the tax rate to continue to fall 0.1% until it hits 4.5%. The tax rate for tax year 2025 is 4.7% based on SB 3’s language. Based on the current revenue forecasts and for fiscal note purposes only, DOR shows the final two SB 3 rate reductions occurring in tax year 2028 (4.6%) and 2029 (4.5%).

It should be noted, this proposal is leaving the current SB 3 reductions (found in SB 3’s 143.011.4). Additionally, this proposal is renumbering SB 3’s section 143.011.3 to 143.011.4 which allowed an additional 0.15% reduction of the individual income tax rate starting with tax year 2024. This amendment is changing the reduction to 0.10% in the future. It would also allow for up to 10 such reductions. DOR notes the first reduction under this amendment will be shown occurring in tax year 2028 when the SB 3 triggered reductions are estimated to occur. Therefore, the tax year 2026 individual income tax rate would be 4.7%.

This proposal then allows the language in 143.011.5 to impact the rates established in 143.011.3 and .4. This would allow three additional rate reductions the year following the previous reductions which are based on revenue triggers. DOR notes that these reductions would occur simultaneously with the previously listed reductions. DOR will show the impact occurring in consecutive years starting in TY 2029.

The newly proposed tax rates would be:

Tax Year	Current	Proposed Rate
2025	4.7%	Current rate
2026	4.7%	4.7%
2027	4.7%	4.7%
2028	4.6%	4.6%
2029	4.5%	4.4%
2030	4.5%	4.2%
2031	4.5%	4.0%
2032	4.5%	3.9%
2033	4.5%	3.8%
2034	4.5%	3.7%
2035	4.5%	3.6%
2036	4.5%	3.5%
2037+	4.5%	3.4%

The new language would begin 1/1/2026.

Using the department’s internal Income Tax Model that contains confidential Missouri taxpayer data for tax year 2022 (the most complete data available) and information from each filer’s Federal tax return, DOR can calculate the fiscal impact for tax year 2026 changes and beyond

from these changes. This is expected to result in the following loss to general revenue through the implementation of this proposal.

Tax Year	Amount
2026	(\$37,223,318)
2027	(\$27,396,537)
2028	(\$35,951,500)
2029	(\$182,625,521)
2030	(\$456,339,902)
2031	(\$734,969,716)
2032	(\$867,712,784)
2033	(\$1,002,464,187)
2034	(\$1,134,327,784)
2035	(\$1,268,533,810)
2036	(\$1,402,306,938)
2037	(\$1,535,373,963)

Based on DOR collection data, DOR knows that 42% of all individual income tax is received in the first fiscal year and 58% is received in the second year.

Fiscal Year	Loss to GR
2026	(\$15,633,794)
2027	(\$33,096,070)
2028	(\$30,989,621)
2029	(\$97,554,589)
2030	(\$182,625,521)
2031	(\$573,364,424)
2032	(\$790,721,804)
2033	(\$924,308,373)
2034	(\$1,057,846,898)
2035	(\$1,190,694,315)
2036	(\$1,268,533,810)
2037	(\$1,458,195,088)
2038+	(\$1,535,373,963)

*Fiduciary Tax*

DOR notes that trusts are allowed to take all the same subtractions and deductions that an individual filer is allowed to take. Therefore, trusts will be able to claim the capital gains subtraction. The fiduciary tax is calculated using the same rate as the individual income tax rate and therefore, this proposal is also changing the fiduciary tax rate.

Using Missouri tax return data as well as data received from the federal tax returns, DOR is able to estimate the following impact through the individual income tax rate reductions in this proposal to the fiduciary tax.

**Fiduciary Tax Changes**

Fiscal Year	Loss to Gr
2026	(\$34,628,318)
2027	(\$34,628,318)
2028	(\$34,628,318)
2029	(\$33,891,545)
2030	(\$32,418,000)
2031	(\$30,944,455)
2032	(\$29,470,909)
2033	(\$28,734,136)
2034	(\$27,997,364)
2035	(\$27,260,591)
2036	(\$26,523,818)
2037	(\$25,787,045)
2038	(\$25,050,273)

*Corporations Capital Gains*

This proposal allows corporations to subtract their capital gains for determining MAGI. The current corporate income tax rate is 4%. DOR used its internal Income Tax Model that contains confidential taxpayer data from both the federal and state tax returns to calculate the fiscal impact of this proposal to corporations. DOR notes the data was only able to pull information from the electronically filed returns and not those filed on paper. Therefore, DOR notes the actual impact will be larger than estimated.

This proposal will not become effective until August 2025 and taxpayers pay declaration payments on capital gains four times a year in anticipation of their final tax liability. Corporate declarations are due in April, June, September, and December. Therefore, corporations will have a limited time to adjust their declarations to account for this new subtraction. Based on this, DOR will reflect the full impact of tax year 2025 in FY26.

Based on actual collections data, DOR notes that 45% of corporate income taxes are paid during fiscal year 1 and 55% are paid during fiscal year 2. DOR assumes the loss from this portion of the proposal is expected to be:

Fiscal Year	Loss to General Revenue
2026	(\$183,626,876)
2027+	(\$126,639,225)

DOR notes that all these changes will require us to update our MO-1040 (\$2,200), website and Individual Income tax computer program (\$21,981).

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** note the following:

**Section 143.011.3** would replace Missouri’s graduated individual income tax structure with a flat income tax rate. Beginning with tax year 2026, the rate of tax will 4.7% or the top rate of tax as in effect on January 1, 2026, whichever rate is less.

**Subsection 143.011.4** would allow for ten reductions to the tax rate of 0.1% each, starting with tax year 2026, dependent on net general revenue growth. This subsection requires net GR to grow by at least \$175 million over the largest net GR collection amount during the previous three fiscal years.

**Subsection 143.011.5** would allow for three additional 0.1% reductions to the tax rate, dependent on net general revenue growth. These reductions may begin the calendar year after the first reduction is triggered under subsection 4. This subsection requires net GR to grow by \$250 million, adjusted for inflation, and exceed the amount of inflation net GR collected five fiscal years prior.

B&P notes that the reductions in subsection 4 and subsection 5 could occur at the same time if net GR grows by an amount high enough to trigger the subsection 5 reduction. For the purpose of this fiscal note, B&P will assume that both triggers are met at the same time for three consecutive years. B&P acknowledges that actual implementation will likely be more spread out.

Based on current revenue forecasts and average revenue growth, B&P estimates that net general revenue growth will not be high enough to trigger another reduction until at least tax year 2028 (FY27 revenue). Table 1 shows the estimated tax rates throughout the implementation of this proposal.

Table 1: Proposed Tax Rates

Tax Year	Current	Sub 4 Reduction	Sub 5 Reduction	Proposed Rate
2025	4.7%			
2026	4.7%			4.7%
2027	4.7%			4.7%
2028	4.6%	(0.1%)		4.6%
2029	4.5%	(0.1%)	(0.1%)	4.4%
2030	4.5%	(0.1%)	(0.1%)	4.2%
2031	4.5%	(0.1%)	(0.1%)	4.0%
2032	4.5%	(0.1%)		3.9%
2033	4.5%	(0.1%)		3.8%
2034	4.5%	(0.1%)		3.7%
2035	4.5%	(0.1%)		3.6%
2036	4.5%	(0.1%)		3.5%
2037	4.5%	(0.1%)		3.4%

**Subsection 143.011.6** would end the bracket inflation adjustment after tax year 2025. B&P notes that Section 143.021 sets the minimum amount of taxable income at \$1,000 plus the inflation adjustment under this subsection. As of tax year 2025, the minimum taxable income amount is \$1,313. Therefore, the new flat tax will be levied on all incomes above \$1,313 for every tax year going forward, beginning with tax year 2026.

**Section 143.131** would increase the standard deduction \$4,000 beginning with tax year 2026.

**Section 143.121** would allow taxpayers to subtract 100% of capital gains income from their federal adjusted gross income (FAGI) to determine their Missouri adjusted gross income (MAGI), starting with tax year 2025. B&P notes that this proposal will not become effective until August 2025. B&P further notes that taxpayers pay declarations payments on capital gains four times a year in anticipation of their final tax liability. Individual declarations are due in January, April, June, and September. Therefore, individuals would only have September 2025 and January 2026 to adjust their declarations to account for this new subtraction. Based on this, B&P will reflect the full impact from the tax year 2025 subtraction as occurring during FY26.

**Section 143.177** would repeal the Missouri Working Family Tax Credit beginning August 28, 2025. B&P notes that because these credits are not claimed until annual income tax returns are filed in 2026, this repeal will be effective for tax year 2025.

Individual Income Tax Impact

Using tax year 2022 data, the most recent complete tax year available, and accounting for the changes in individual income tax law created by SB 3 (2022), B&P estimates that this provision

could decrease GR by \$54,914,090 for tax year 2025 (from the repeal of the working family tax credit and the capital gains subtraction). Once fully implemented, this proposal could decrease GR by \$1,533,947,245 annually. Table 2 shows the estimated impact by tax year.

Table 2: Estimated Impact  
by Tax Year

Tax Year	GR Impact
2025*	(\$54,914,090)
2026	(\$30,101,255)
2027	(\$20,276,099)
2028	(\$28,978,092)
2029	(\$176,295,132)
2030	(\$450,955,730)
2031	(\$730,550,684)
2032	(\$863,793,145)
2033	(\$999,038,519)
2034	(\$1,131,409,809)
2035	(\$1,266,105,605)
2036	(\$1,400,368,524)
2037	(\$1,533,947,245)

Because this proposal would take effect January 1<sup>st</sup> of a tax year, individuals will adjust their withholdings and declarations during FY1. Based on actual collections data, B&P estimates that 42% of individual income taxes are paid during fiscal year 1 and 58% are paid during fiscal year 2. (B&P notes this applies to tax year 2026+ changes.)

B&P notes that this proposal will become effective in FY26. Therefore, B&P will reflect the full impact from tax year 2025 as occurring during FY26.

Under the above assumptions, B&P estimates that this provision could decrease GR by \$67,556,617 in FY26. Once fully implemented, this proposal could decrease GR by \$1,533,947,245 annually. Table 3 shows the estimated impact from this section by fiscal year.

Table 3: Estimated Impact  
 by Fiscal Year

Fiscal Year	GR Impact
2026	(\$67,556,617)
2027	(\$25,974,689)
2028	(\$23,930,936)
2029	(\$90,851,249)
2030	(\$291,652,583)
2031	(\$568,385,611)
2032	(\$786,512,517)
2033	(\$920,596,202)
2034	(\$1,054,634,461)
2035	(\$1,187,982,043)
2036	(\$1,322,496,031)
2037	(\$1,456,471,587)
2038	(\$1,533,947,245)

**Section 143.011.3** would replace Missouri’s graduated individual income tax structure with a flat income tax rate. Beginning with tax year 2026, the rate of tax will 4.7% or the top rate of tax as in effect on January 1, 2026, whichever rate is less.

**Subsection 143.011.4** would allow for ten reductions to the tax rate of 0.1% each, starting with tax year 2026, dependent on net general revenue growth. This subsection requires net GR to grow by at least \$175 million over the largest net GR collection amount during the previous three fiscal years.

**Subsection 143.011.5** would allow for three additional 0.1% reductions to the tax rate, dependent on net general revenue growth. These reductions may begin the calendar year after the first reduction is triggered under subsection 4. This subsection requires net GR to grow by \$250 million, adjusted for inflation, and exceed the amount of inflation net GR collected five fiscal years prior.

B&P notes that the reductions in subsection 4 and subsection 5 could occur at the same time if net GR grows by an amount high enough to trigger the subsection 5 reduction. For the purpose of this fiscal note, B&P will assume that both triggers are met at the same time for three consecutive years. B&P acknowledges that actual implementation will likely be more spread out.

Based on current revenue forecasts and average revenue growth, B&P estimates that net general revenue growth will not be high enough to trigger another reduction until at least tax year 2028 (FY27 revenue). Table 1 shows the estimated tax rates throughout the implementation of this proposal.

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Tax Year	Current	Sub 4 Reduction	Sub 5 Reduction	Proposed Rate
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**Subsection 143.011.6** would end the bracket inflation adjustment after tax year 2025. B&P notes that Section 143.021 sets the minimum amount of taxable income at \$1,000 plus the inflation adjustment under this subsection. As of tax year 2025, the minimum taxable income amount is \$1,313. Therefore, the new flat tax will be levied on all incomes above \$1,313 for every tax year going forward, beginning with tax year 2026.

**Section 143.131** would increase the standard deduction \$4,000 beginning with tax year 2026.

**Section 143.121** would allow taxpayers to subtract 100% of capital gains income from their federal adjusted gross income (FAGI) to determine their Missouri adjusted gross income (MAGI), starting with tax year 2025. B&P notes that this proposal will not become effective until August 2025. B&P further notes that taxpayers pay declarations payments on capital gains four times a year in anticipation of their final tax liability. Individual declarations are due in January, April, June, and September. Therefore, individuals would only have September 2025 and January 2026 to adjust their declarations to account for this new subtraction. Based on this, B&P will reflect the full impact from the tax year 2025 subtraction as occurring during FY26.

**Section 143.177** would repeal the Missouri Working Family Tax Credit beginning August 28, 2025. B&P notes that because these credits are not claimed until annual income tax returns are filed in 2026, this repeal will be effective for tax year 2025.

Individual Income Tax Impact

Using tax year 2022 data, the most recent complete tax year available, and accounting for the changes in individual income tax law created by SB 3 (2022), B&P estimates that this provision could decrease GR by \$54,914,090 for tax year 2025 (from the repeal of the working family tax credit and the capital gains subtraction). Once fully implemented, this proposal could decrease GR by \$1,533,947,245 annually. Table 2 shows the estimated impact by tax year.

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Because this proposal would take effect January 1<sup>st</sup> of a tax year, individuals will adjust their withholdings and declarations during FY1. Based on actual collections data, B&P estimates that 42% of individual income taxes are paid during fiscal year 1 and 58% are paid during fiscal year 2. (B&P notes this applies to tax year 2026+ changes.)

B&P notes that this proposal will become effective in FY26. Therefore, B&P will reflect the full impact from tax year 2025 as occurring during FY26.

Under the above assumptions, B&P estimates that this provision could decrease GR by \$67,556,617 in FY26. Once fully implemented, this proposal could decrease GR by \$1,533,947,245 annually. Table 3 shows the estimated impact from this section by fiscal year.

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2028	(\$23,930,936)
2029	(\$90,851,249)
2030	(\$291,652,583)
2031	(\$568,385,611)
2032	(\$786,512,517)
2033	(\$920,596,202)
2034	(\$1,054,634,461)
2035	(\$1,187,982,043)
2036	(\$1,322,496,031)
2037	(\$1,456,471,587)
2038	(\$1,533,947,245)

**Section 143.121 – Corporate and Fiduciary Capital Gains**

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** note the following:

*Corporate Capital Gains*

**Section 143.121** would allow corporations to subtraction 100% of capital gains from their Missouri taxable income.

Using tax year 2022 data, the most recent complete tax year available, B&P estimates that this proposal could exempt at least \$3,165,980,618 in capital gains from Missouri income tax. B&P notes that this number only includes electronically filed corporate tax returns; therefore, the actual amount of capital gains exempted could exceed \$3,165,980,618.

B&P notes that this proposal will become effective in FY26. Therefore, B&P will reflect the full impact from tax year 2025 as occurring during FY26.

Using the corporate tax rate of 4.0%, B&P estimates that this proposal could reduce GR by at least \$126,639,225 annually starting with tax year 2025.

However, beginning with tax year 2026, corporations will adjust their declarations payments. Based on actual collections data, B&P estimates that 45% of corporate income taxes are paid during fiscal year 1 and 55% are paid during fiscal year 2.

Therefore, B&P estimates that this proposal could reduce GR by at least \$183,626,876 (\$56,987,651 Tax Year 2026 declarations adjustments + \$126,639,225 tax year 2025 settle-up) in FY26. Beginning in FY27, this proposal could reduce GR by at least \$126,639,225 annually.

Fiduciary Capital Gains

B&P notes that trusts are allowed to take all subtractions afforded to individual taxpayers. Therefore, starting with tax year 2025 this provision would also allow a capital gains subtraction for the fiduciary tax.

Using federal and state tax data and accounting for the income tax reductions under Section 143.011 of this proposal, B&P estimates that this provision could reduce GR by an amount that could exceed \$34,628,318 in FY26 (for tax year 2025). Once the income tax provisions within this proposal have fully implemented, this provision may reduce GR by an amount that could exceed \$25,050,273 annually.

Table 5: Estimated Impact by Tax Year -  
 Fiduciary Capital Gains

Tax Year	Fiscal Year	GR Impact
TY 2025	FY 2026	(\$34,628,318)
TY 2026	FY 2027	(\$34,628,318)
TY 2027	FY 2028	(\$34,628,318)
TY 2028	FY 2029	(\$33,891,545)
TY 2029	FY 2030	(\$32,418,000)
TY 2030	FY 2031	(\$30,944,455)
TY 2031	FY 2032	(\$29,470,909)
TY 2032	FY 2033	(\$28,734,136)
TY 2033	FY 2034	(\$27,997,364)
TY 2034	FY 2035	(\$27,260,591)
TY 2035	FY 2036	(\$26,523,818)
TY 2036	FY 2037	(\$25,787,045)
TY 2037	FY 2038	(\$25,050,273)

*\*Capital gains loss accounts for the individual rate reductions. Loss could exceed amount shown above.*

**Oversight** notes that according to the latest IRS [data](#) available for TY 2022, the Summary statistical tables for Missouri AGI shows the Net Capital Gain for all taxpayers in Missouri was \$13,311,914,000. Therefore, taking the 4.7% top rate would yield \$625,659,958 for FY 2026.

**Oversight** notes the following estimated fiscal impact assuming \$13,311,914,000 in capital gains remittance by fiscal year:

Tax Year	Fiscal Year	Current Rate	Proposed Rate	Capital Gains Subtraction
2025	2026	4.70%		(\$625,659,958)
2026	2027	4.70%	4.7%	(\$625,659,958)
2027	2028	4.70%	4.7%	(\$625,659,958)
2028	2029	4.60%	4.6%	(\$612,348,044)
2029	2030	4.50%	4.4%	(\$585,724,216)
2030	2031	4.50%	4.2%	(\$559,100,388)
2031	2032	4.50%	4.0%	(\$532,476,560)
2032	2033	4.50%	3.9%	(\$519,164,646)
2033	2034	4.50%	3.8%	(\$505,852,732)
2034	2035	4.50%	3.7%	(\$492,540,818)
2035	2036	4.50%	3.6%	(\$479,228,904)
2036	2037	4.50%	3.5%	(\$465,916,990)
2037	2038	4.50%	3.4%	(\$452,605,076)

**Oversight** notes the SOI data is based on TY 2022 remittance; therefore, the actual fiscal impact could be greater than or less than the amounts in the table above.

**Oversight** notes that it does not currently have the resources and/or access to state tax data to produce a thorough independent revenue estimate and is unable to verify the revenue estimates provided by DOR and B&P. Oversight notes, the only publicly available state level data on income including capital gains is from the IRS Statistics on Income (SOI). In previous years, Oversight has attempted to benchmark DOR/BAP estimates using SOI data. However, these estimates have been inconsistent with estimates provided by BAP/DOR. For informational purposes, Oversight has included an estimate of the capital gains deductions using the SOI data. However, without access to state income tax data, Oversight is strictly reliant on DOR and BAP for income tax changes analyses.

Therefore, **Oversight** will show B&P and DOR’s estimated impacts in the fiscal note.

**Oversight** has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

**Section 143.031 - Married Filing Combined Individual Income Tax Return**

In response to a previous version, officials from the **Department of Revenue (DOR)** note Section 143.031 requires that if a couple file a combined return at the federal level they must file

a combined return at the state level. Currently, both spouses report their income on the same line but use different boxes (columns) to separate which income belongs to which spouse. Separating income is required for a couple to be eligible for certain deductions. DOR gathers the information for both spouses on the same line in order to save space on the form. This proposal would require DOR to have separate lines on the return for each spouse. This will not impact general revenue as the same calculations would occur. However, this could make the form more confusing to taxpayers and potentially cause more individual income tax return errors. DOR assume the need for 1 additional Associate Customer Service Representative (\$37,020) for every 5,700 returns generating correspondence. DOR will seek the additional FTE through the appropriation process based on the number of additional correspondences generated.

The requirements to apportion income to each spouse are located throughout statutes and are not changed by this proposal. DOR notes this is only changing the layout of the form and not how income calculations are done. To accomplish this, DOR would have to have one spouse report, then the second spouse report and then have a calculation section. DOR estimates this could add another 1-2 pages to the tax return.

The changing of the form to accommodate single entry of data down the page may result in changes to the computer program of up to \$20,000.

### **Section 143.175 - National Guard Income Tax Deduction**

In response to a previous version, officials from the **Department of Revenue (DOR)** note currently the National Guard members receive an income tax deduction for the pay they receive for their one weekend a month & 2 weeks a year service. This proposal will expand this income tax deduction to include the pay they receive when called up for their state active duty (SAD) or state emergency duty (SED). This deduction is granted when calculating their Missouri Adjusted Gross Income.

The National Guard notes that the amount paid each year, depends on the number of members activated for service and the length of time the members serve at the emergency. Information received by the National Guard shows the amount paid for SAD/SED duty since 2021.

SAD / SED Pay by  
Year

Calendar Year	SAD & SED Pay
2021	\$1,006,009
2022	\$447,312
2023	\$0
2024	\$937,292

For the purpose of the fiscal note, DOR will show the impact “Up to” the highest amount paid over the last four years. Deductions do not reduce income on a dollar-for-dollar basis but in

proportion to the top rate of the individual income tax rate applied. It should be noted that SB 3 adopted in 2022, set the individual income tax rate top bracket at 4.95% in TY 2023 and set it at 4.8% in TY 2024 and based on certain revenue triggers allows the tax rate to continue to fall 0.1% until it hits 4.5%. However, this proposal is changing the tax rate to 4.7% for tax year 2026 and making additional reductions to the tax rate in the future. DOR will show the implementation of this proposal through the individual income tax rate reductions.

Tax Rate	Loss to General Revenue	
4.7%	up to	(\$47,282)
4.6%	up to	(\$46,276)
4.4%	up to	(\$44,264)
4.2%	up to	(\$42,252)
4.0%	up to	(\$40,240)
3.9%	up to	(\$39,234)
3.8%	up to	(\$38,228)
3.7%	up to	(\$37,222)
3.6%	up to	(\$36,216)
3.5%	up to	(\$35,210)
3.4%	up to	(\$34,204)

This will require DOR to add a line to the MO-1040 (\$2,200), update the department’s website and change the individual income tax computer program (\$1,832). This is estimated to cost \$4,032.

In response to a previous version, officials **Office of Administration - Budget and Planning (B&P)** note Beginning with tax year 2026, this proposal would exempt certain National Guard pay from Missouri income tax. This proposal would exempt all pay earned under SAD or SED activation. B&P notes that all other National Guard pay is already exempt from Missouri income taxes under Sections 143.174 and 143.175.

Based on data provided by the Missouri National Guard, the following amounts were paid for SAD/SED duty since 2021:

Table 1: SAD / SED  
 Pay by Year

Calendar Year	SAD & SED Pay
2021	\$1,006,009
2022	\$447,312
2023	\$0
2024	\$937,292

B&P notes that the amount of SAD / SED pay earned in a year depends on the number, and length of time, service members are activated. For the purpose of this fiscal note, B&P will reflect the potential impact as “up to” the highest amount paid (CY 2021). Therefore, B&P estimates that this proposal could exempt up to \$1,006,009 in income from taxation.

However, deductions do not reduce revenues on a dollar-for-dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation Section 143.011 within this proposal.

Consequently, B&P estimates that exempting SAD / SED pay could reduce TSR and GR by up to \$47,282 in FY27. Once Section 143.011 has fully implemented, this provision could reduce TSR and GR by up to \$34,204 annually.

Table 2: Estimated Revenue Loss by Year

Tax Year	Fiscal Year	Proposed Rate	GR Impact
TY 2026	FY 2027	4.7%	(\$47,282)
TY 2027	FY 2028	4.7%	(\$47,282)
TY 2028	FY 2029	4.6%	(\$46,276)
TY 2029	FY 2030	4.4%	(\$44,264)
TY 2030	FY 2031	4.2%	(\$42,252)
TY 2031	FY 2032	4.0%	(\$40,240)
TY 2032	FY 2033	3.9%	(\$39,234)
TY 2033	FY 2034	3.8%	(\$38,228)
TY 2034	FY 2035	3.7%	(\$37,222)
TY 2035	FY 2036	3.6%	(\$36,216)
TY 2036	FY 2037	3.5%	(\$35,210)
TY 2037	FY 2038	3.4%	(\$34,204)

### **Section 143.512 - Interest on Tax Credits**

In response to a previous version, officials from the **Department of Revenue (DOR)** note this proposal would allow a taxpayer who attempts to claim a tax credit, that is denied from a lack of available funds, and that denial causes a balance due notice to be generated by DOR, to pay their balance due without paying a penalty or interest for sixty days. If the balance due is not paid within sixty days, the penalty and interest would still be owed.

DOR notes that tax credits can be denied for various reasons. Many of the state tax credit programs have caps that are first come, first serve and taxpayers can be denied if their claim is filed later than others.

DOR has two tax credits that have caps and are apportioned credits. These credits allow people to apply and then the amount of the credit is adjusted downward should the number of credits claimed exceed the cap. Those two credits are the Champion for Children and Food Pantry tax credit programs.

DOR notes the Champion for Children tax credit program already grants DOR the authority to notify taxpayers of the apportionment of their credit and to adjust the credit downward. Additionally, the program also allows DOR to give those taxpayers a sixty-day grace period to make an additional payment should their account require it. This proposal would not impact the Champion for Children program.

DOR notes that the Food Pantry program does not allow for such a grace period. At this time, DOR would notify the taxpayer of the adjustment and then is required to assess penalties and interest. It appears this proposal attempts to allow DOR to give them a grace period. DOR assumes this would have minimal impact of less than \$10,000 annually.

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** This proposal would waive any addition to tax, interest, and penalties on taxes due because of tax credits being apportioned, if the resulting tax due is paid within 60 days. B&P notes that this would only apply to tax credits that are apportioned among taxpayers when redemptions are greater than the amount allowed per statute or appropriation.

B&P notes that currently taxpayers are encouraged remit their full tax liability, calculated before a tax credit, in case their tax credit claim is denied. However, based on additional information taxpayers are not actually able to remit a payment above the balance due amount shown on their original return until that amount has been amended by DOR. Therefore, taxpayers receiving apportioned credits end up with a tax due notice, with interest and penalties currently levied on the overdue amount.

Based on information provided by DOR, this provision could reduce TSR by an unknown, likely minimal, amount.

**Oversight** notes that officials from the DOR and B&P both assume this Section would have a minimal impact on the general revenue, if any.

**Oversight** is unsure of how many taxpayers previously receive notice of apportionment thus additional tax due. However, based on responses from DOR and B&P, Oversight will assume that the total amount of interest and penalties owed, less than \$10,000, is not material. Therefore, Oversight will not show an impact in the fiscal note.

Responses regarding the proposed legislation as a whole

Officials from the **State Tax Commission** assume this proposal will have a negative fiscal impact on school districts and other local taxing jurisdictions (cities, counties and fire districts) who rely on property tax as a source of revenue. Based on the State Tax Commission 2024 Annual Report, 19.2% of assessed valuation is attributed to personal property (\$151,673,672,937 X .192= \$29,121,345,204 assessed valuation) and 18.55% of property taxes collected were attributed to personal property (\$10,427,068,714 \* .1855= \$1,934,221,246). Dropping the assessed valuation percentage to 32% from 33.3% would drop the assessed valuation to 27,984,475,872 (29,121,345,204/.333\*.32). The tax collections from the reduced valuation would equal 1,858,711,107 ([\$27,984,475,872 \* \$1,934,221,246]/\$29,121,345,204=\$1,858,711,107). The resulting reduction in taxes statewide would be \$75,510,139 (\$1,934,221,246-\$1,858,711,107) spread across all the taxing jurisdictions across the state reliant on property taxes for funding.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2038)
<b>GENERAL REVENUE FUND</b>				
<u>Revenue Reduction</u> - §135.010 & §135.030 - changes to the Property Tax Credit program – p. (6)	More or less than (\$17,874,427)			
<u>Revenue Reduction</u> - §143.011, §143.121 & §143.131 - Individual income tax changes	(\$77,221,691)	(\$33,096,070)	(\$30,989,621)	(\$1,535,373,963)
<u>Revenue Reduction</u> - §143.011 - Corporate capital gains subtraction – p. (21)	(\$183,626,876)	(\$126,639,225)	(\$126,639,225)	(\$126,639,225)
<u>Revenue Reduction</u> - §143.011, §143.121 & §143.131 - Fiduciary tax changes – p. (21)	(\$34,628,318)	(\$34,628,318)	(\$34,628,318)	(\$25,050,273)
<u>Revenue Reduction</u> - §143.175 - Income Tax Deduction for Certain National Guard Duties – p. (28)	Up to (\$47,282)	Up to (\$47,282)	Up to (\$46,276)	Up to (\$34,204)
<u>Costs</u> - §135.010 to §143.175 – DOR – Form and computer updates	(\$28,064)	\$0	\$0	\$0

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2038)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>More or less than <u>(\$313,426,658)</u></b>	<b>More or less than <u>(\$212,285,322)</u></b>	<b>More or less than <u>(\$210,177,867)</u></b>	<b>More or less than <u>(\$1,704,972,092)</u></b>
<b>BLIND PENSION FUND</b>				
<u>Revenue Reduction</u> - §137.115 - Personal property change in assessed value – p. (11)	\$0	<u>(\$345,741)</u>	<u>(\$345,741)</u>	<u>Could exceed (\$345,741)</u>
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>(\$345,741)</u></b>	<b><u>(\$345,741)</u></b>	<b><u>Could exceed (\$345,741)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2038)
<b>LOCAL POLITICAL SUBDIVISIONS</b>				
<u>Costs</u> – Counties – §137.073 - to administer the changes in assessment from this proposal – p. (9)	\$0	(Unknown)	(Unknown)	(Unknown)
<u>Revenue change</u> - §137.073 - Personal property value increases not considered new construction – p. (9)	\$0	\$0	(Unknown)	(Unknown)
<u>Revenue change</u> - §137.073 – Change in growth factor cap - p. (11)	\$0	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Reduction</u> - §137.115 - Personal property change in assessed value* - p. (11)	\$0	More or less than (\$78,861,895)	More or less than (\$78,861,895)	More or less than (\$78,861,895)
<u>Savings</u> - §137.115 - County Assessors - Changes to selection process for trade-in value publications - p. (17)	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>Unknown</u></b>	<b><u>More or less than (\$78,861,895)</u></b>	<b><u>More or less than (\$78,861,895)</u></b>	<b><u>More or less than (\$78,861,895)</u></b>

FISCAL IMPACT – Small Business

There could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

## FISCAL DESCRIPTION

The proposed legislation modifies provisions relating to taxation.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Department of Revenue  
Office of Administration - Budget and Planning  
State Tax Commission  
Office of the State Auditor  
County Employees' Retirement Fund (CERF)  
Jefferson County Assessor  
Howell County Assessor  
Lincoln County Assessor  
Miller County Assessor  
Callaway County SB 40 Board  
Boone County SB 40 (Boone County Family Resources)  
Jackson County SB 40 Board  
Lawrence County SB 40 Board  
St. Louis City SB 40 Board  
St. Louis County SB 40 Productive Living Board  
St. Genevieve County SB 40 Board  
Webster County SB 40 Board  
Mid-Continent Public Library  
Newton County Health Department  
Rolling Hills Consolidated Library  
East Buchanan Co. C-1 School District  
Hume R-VIII School District  
Ladue School District  
Osage Co. R-I Ladue School District  
Raymore-Peculiar R-II School District  
Republic R-Iii School District  
City of Kansas City  
Jackson County Election Board  
St. Louis City Board of Elections  
St. Louis County Board of Elections  
Platte County Board of Elections  
Phelps County Sheriff

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Kansas City Police Dept  
Branson Police Dept  
St. Louis County Police Dept



Julie Morff  
Director  
May 5, 2025



Jessica Harris  
Assistant Director  
May 5, 2025